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Mr. Chairman,

Mr. President and Chief Executive Officer,

Ladies and Gentlemen,

I am indeed pleased to bring you this general review of the Banque
Canadienne Nationale financial statement for the 103rd fiscal
year.

REMARKS BY THE

EXECUTIVE VICE-PRESIDENT AND CHIEF GENERAL MANAGER

MR. JACQUES DOUVILLE

Last year at this time, Mr. Jacques Douville, Chief Executive Officer

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AT THE

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To illustrate, the BCN reinvested \$17.4 million in 1977. It was

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staff benefits to its 8,500 employees, nearly \$4 million in

dividends to its shareholders, and \$1.8 million

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opening a dozen new branches, and its other regular operating

THURSDAY, DECEMBER 8, 1977

Mr. Chairman,

Mr. President and Chief Executive Officer,

Ladies and Gentlemen,

I am indeed pleased to bring you this general review of the Banque Canadienne Nationale financial statement for its 103rd fiscal year, which ended on October 31, 1977.

Last year at this time, our President and Chief Executive Officer spoke to you about profit-. He stressed the fact that this idea of profit is all too often misunderstood by people, and that properly reinvested profits are essential for the growth of our economy. So, by operating on this principle, the Banque Canadienne Nationale was able to end its fiscal year with a reasonable level of profits and at the same time ensure its continued growth.

To illustrate, the BCN reinvested \$17.8 million in 1977. It was able to do this even after paying \$101 million in salaries and staff benefits to its 8,054 employees, nearly \$9 million in dividends to its 10,495 shareholders and more than \$360 million in interest on hundreds of thousands of deposit accounts. Not to mention the rent on its numerous banking offices, the cost of opening a dozen new branches, and its other regular operating

expenses. In addition, the BCN paid substantial amounts of income and other taxes to the various levels of government, as well as setting aside the large sums of money which the Bank Act requires us to hold as reserves.

Before we make a more detailed study of the Bank's operating results for the year just ended, I would like to give you a quick look at the economic context in which we did business during 1977.

Quite obviously, the inflation and unemployment rates we have experienced during this past year both had substantial impact on Canada's economic climate. Most companies found it far from easy to maintain the growth rates they had become accustomed to over the past few years. Our economists had quite accurately predicted that economic growth would be slower in 1977 than it had been in 1976. But the Consumer Price Index rose more than had originally been forecast, thus slowing down consumer spending. Caution seems to have been the watchword everywhere in the country, all through 1977. A note of interest here is that the Bank's international operations accounted for approximately 40 percent of this increase.

Nevertheless, despite this overall rather disappointing economic situation, it should be pointed out that the Banque Canadienne Nationale is able to report a 7.6 percent increase in its balance of revenue after provision for income taxes. When compared with the 2.5 percent increase in 1976 this is all the more encouraging, since it is due in large measure to our increased business volume and more efficient control of operating expenses.

The after-tax balance of revenue is equivalent to \$3.31 per share, compared with \$3.22 the previous year, even with the higher average number of shares outstanding following our rights issue of last September. Incidentally, it is a pleasure to note that this issue was most successful, with 95 percent of the shares subscribed for by the rights holders.

The Bank's total assets continued to grow, reaching \$6,924 million as of October 31 last. This is an increase of 22 percent over our total assets at the end of the preceding fiscal year. The actual dollar amount of the increase, \$1,249 million, is an all-time record for our Bank. A note of interest here is that the Bank's international operations accounted for approximately 40 percent of this increase.

Nevertheless, despite this overall rather disappointing economic situation, it should be pointed out that the Banque Canadienne Nationale is able to report a 7.6 percent increase in its balance of revenues after provision for income taxes. When compared with the 2.5 percent increase in 1976 this is all the more encouraging, since it is due in large measure to our increased business volume and more efficient control of operating expenses.

The after-tax balance of revenue is equivalent to \$3.31 per share, compared with \$3.22 the previous year, even with the higher average number of shares outstanding following our rights issue of last September. It is to be noted that this issue was not successful in raising as much as anticipated, and subscribed for by the rights holders.

The Bank's total assets continued to grow, reaching \$6,924 million as of October 31 last. This is an increase of 12 percent over our total assets at the end of the preceding fiscal year. The actual dollar amount of the increase, \$1,349 million, is an all-time record for our Bank. A note of interest here is that the Bank's international operations accounted for approximately

40 percent of this increase.

The cautiousness displayed by Canadians as a whole during 1977 resulted in a slower growth rate for our loans in Canadian currency. These increased by 16.2 percent during the year, totalling \$4,356 million as of October 31 last. For the second year in a row, however, consumer credit failed to match the growth rate characteristic of the first half of this decade. Our consumer loans increased by only 12 percent in 1977, compared with 13.9 percent the previous year. Two factors which undoubtedly partially explain this circumstance are unemployment rate experienced throughout the year and the continuing need to battle inflation.

Fortunately, the substantial drop in housing starts had fewer repercussions in Québec than in Canada as a whole. As a result, demand remained high for funds to finance new homes or to renegotiate existing loans, and thus BCN mortgage loan volume increased by 24.7 percent during the past year. In this respect, I am pleased to point out that BCN continues to contribute in an important way to this form of economic activity, as we have in the past. As a matter of fact, more than 70 percent of this increased volume was used to finance new residential units. Our portfolio of home mortgage loans now exceeds \$1,340 million.

These two factors have the most impact on the growth of deposits by individuals. Nevertheless, recent statistics show that the BCN has somewhat increased its share of the Québec banking market in this sector.

The Bank's international loans volume is now over the billion dollar mark. As of October 31, these foreign loans totalled \$1,123 million, an increase of 57 percent over the preceding fiscal year-end. Of course, it should be noted that about one-quarter of this increase can be attributed to depreciation of the Canadian dollar. The remaining three-quarters still represents a most interesting growth factor for our Bank.

Our deposits increased by \$1,212 million, or 23 percent, during the year. We consider this a very satisfactory rate of growth, because of two factors worth noting. First, it must be recognized that the higher than forecast increase in the Consumer Price Index and the deteriorating employment situation have diminished the real gains in available personal income. In the second place, the 2 percent reduction in the prime lending rate carried out in several stages during the year has placed the banks in a somewhat unenviable position in comparison with other financial institutions.

The latter, as we know, are not required to maintain reserve funds which earn no interest, and interest rates on their loans portfolios as a whole are generally less affected by fluctuations in the prime rate. These two factors have the most impact on the growth of deposits by individuals. Nevertheless, recent statistics show that the BCN has somewhat increased its share of the Québec banking market in this sector.

As I mentioned earlier, the Bank's after-tax balance of revenue grew satisfactorily in 1977, reaching \$26.8 million, compared with \$24.9 million the previous year. It is worth noting here that our international operations contributed 20.8 percent of this after-tax balance, whereas foreign currency assets accounted for only 14.6 percent of BCN total assets during the period under review.

Our net income from interest, or the difference between all interest received by the Bank and total interest paid to savings depositors and debenture holders, increased by 13.4 percent, compared with a 16.6 percent increase in average volume of our producing assets.

Operating expenses other than interest payments increased less rapidly in 1977 than in the preceding year, going up by only 16.1 percent as compared with 20.7 percent in 1976. This improvement in the expenditures column, it is worth stressing, was achieved without in any way hindering normal increases in our salary structure and staff benefits, staff expansion, installation of additional data processing facilities and the opening of new business offices. Also, our provision for losses on loans based on five-year average loss experience was increased from \$16.2 million to \$21 million during the year.

After transferring \$7.2 million from after-tax balance of revenue to accumulated appropriations for losses, balance of profits for the year stood at \$19.5 million. Of this amount, almost \$9 million was paid out to our shareholders in the form of dividends. Net earnings per share were \$2.42, compared with \$2.35 per share in 1976.

With the addition of undivided profits at the end of the year, total shareholders' equity stood at \$154.5 million, or an increase of \$21.8 million over the preceding year. Per-share equity thus rose to \$17.38.

So there you have the salient figures worth noting in our financial statements for fiscal 1977. Now, I would like to give you a brief look at what all these figures mean in the daily reality of the Banque Canadienne Nationale.

Just a few minutes ago I spoke of the role our international operations play in the activities of the Bank as a whole. At this point, I wish to stress the size and scope of our international transactions, and the ever growing importance we intend to give them in the years ahead.

Over a period of a few short years, we have: divided our International Division into three Departments; opened a Representative Office in London, which will be converted into an Agency next summer; and last March we opened our Agency in New York, where the results have exceeded all our expectations. We have just set up a BCN (Montréal) Agency within BCN (Europe). Just this past October, we opened a subsidiary in Nassau, under the name of Banque Canadienne Nationale (Bahamas) Ltd. In addition, we are closely studying the possibilities offered us in the Orient.

Here in Canada, the Banque Canadienne Nationale will open its first branch in Vancouver next spring. This will not only allow us to offer our Canadian clientele a more complete service, but because of the extra time zones added to our repertoire we will be present 16 hours a day on the world money markets.

Before the end of 1978, other Canadian provinces will also see BCN branches open their doors. It will then be more accurate than ever to speak of the BCN as a truly national and international institution. Needless to say, all these developments are the logical outcome of intensive studies, bearing witness to a carefully planned expansion programme which is first and foremost oriented to the real needs of our customers, both here in Canada and abroad.

This constant desire to serve our varied clientele even better we share in full with the more than 8,000 members of our staff, dedicated people who spare no efforts to make the BCN an institution ever more appreciated and useful in its milieu. All those people who are the BCN merit our thanks for the numerous training courses they attend, the diplomas they earn through completing programmes sponsored by the Institute of Canadian Bankers, and other university programmes, as well as for their ever growing competence. It gives me great pleasure to express our sincere thanks to all of them. Without the efforts of each and every one, the economic situation we experienced in 1977 would undoubtedly have produced much less encouraging results than those I was able to pass along to you today. I think we owe them all our gratitude.

A new fiscal year has now begun for the Banque Canadienne Nationale. While remaining aware of the difficulties which certainly do not keep themselves hidden, we can be allowed to show a little optimism, especially with regard to the results achieved by our Bank. If, as everything seems to indicate, there are direct links between the Canadian economic picture and the BCN results, we must then conclude that 1978 will be a slightly better year than 1977 was since the rate of economic growth should pick up a little steam during the year ahead.

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REMARKS BY THE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

MR. GERMAIN PERREAULT

AT THE

103rd ANNUAL GENERAL MEETING OF SHAREHOLDERS

OF BANK CANADIAN NATIONAL

HELD AT THE QUEEN ELIZABETH HOTEL

THURSDAY, DECEMBER 8, 1977

Mr. Chairman,
Ladies and Gentlemen,

Since our last Annual General Meeting, your Board of Directors has been saddened by the loss of one of its members, Maître Renault St-Laurent, who passed away on May 13 last. A Director of the Bank ever since 1962, Maître St-Laurent had discharged his responsibilities conscientiously and in a thoroughly professional manner during his entire time with us. Needless to say, his death affected us all deeply, because we have all lost a devoted and valued colleague.

As his successor on our Board, we have called upon Mr. Jacques Giasson, President and Chief Executive Officer of the St. Lawrence Cement Company. Mr. Giasson brings to us a wealth of valuable experience and sound judgement, gained through his administration of a Company with a solidly established reputation and influence which extends beyond the borders of Québec, and indeed of all Canada. His presence on our Board is unquestionably a valued asset for our Bank.

On the economic scene, the year now ending will undoubtedly rank as one of the most difficult Canada has known in a long time. We are just now slowly beginning to understand that our traditional economic theories are proving less and less valid as solutions for certain distinctive problems of our times. There is no longer any doubt that the urgent questions now troubling us demand fresh and immediate answers. Nor is there any doubt that these answers must spring from a sound knowledge of the events which have overtaken the world since the beginning of the 1970s.

Back in 1970 and 1971, when most of the industrialized countries were adopting strongly expansionist policies, none really suspected the magnitude of the problems soon to flow from these similar and synchronized policies. Growth was extremely rapid everywhere, at the time, with overall demand for consumer goods at an exceptionally high level. Since the buying public was responding in the way the governments wished, most countries decided to keep on stimulating consumption. However, the law of supply and demand being what it is, prices of consumer goods soon began to climb. Then, another factor entered the picture like a bolt from the blue: the petroleum exporting countries raised their prices.

The sudden and repeated shocks of oil price increases rapidly fanned general inflation in every country, because practically all products manufactured today rely either directly or indirectly upon petroleum and its derivatives. Yet people almost everywhere had become so accustomed to a rapidly growing economy that expenditures kept mounting inexorably, until inflation became a grave and world-wide problem in 1974.

For some years now, there seems to have been a belief that economic growth could be unlimited. This belief was accepted all the more willingly, moreover, since traditional economic theories had always maintained that inflation was the price which must be paid to combat unemployment. But the situation rapidly turned into a nightmare, with inflation ballooning into a seemingly invincible enemy which had to be fought with every means at our disposal.

Faced with the problem of hyper-inflation, the United States truly played a world leadership role by subjecting itself to strict controls which helped to bring inflation down to more acceptable levels. As a result, since 1975 we have seen economic growth slowed down, first in the United States and then in other countries. But the U.S. was unable to stabilize certain prices, notably that of oil, a primary resource which it imports in huge quantities. All efforts to decrease domestic consumption also proved fruitless.

Soon, then, we were faced with some truly astounding economic data, showing inflation and unemployment seemed able to exist and grow together. On the one hand, the slower pace of economic growth brought about a substantial number of job layoffs. On the other side of the coin, the fact that all countries were increasingly interdependent, especially in the vital matter of energy, meant that inflation was maintained at relatively high levels.

Following the international summit meeting held in London last May, observers were justified in expecting that the world economy would grow at an accelerated pace. There was reason to believe that the industrialized countries would step up production, as a result of their joint adoption of policies aimed at reducing unemployment.

Unfortunately, the measures taken to reach this goal were inadequate, as the high levels of unemployment in most industrialized countries now show clearly. The caution with which the recovery mechanisms were set in motion revealed a real fear of the ever present dangers of hyper-inflation.

One major consequence of this fear is the present universal uncertainty over prospects for an economic recovery. Another can be seen in the pressures building up in numerous countries for a return to some form of protectionism. Although it might be logical to think that protective walls would help to reduce unemployment within the country erecting them, we must not lose sight of the fact that any such measure would seriously damage the world economic climate.

It should also be pointed out that the feeble strides made to date in the battle march against inflation disturb the leaders of the major countries, because to a certain degree lasting economic growth and high employment levels depend upon greater stability of the price structure.

Japan and West Germany, facing up to this situation, recently followed the advice coming their way from the United States and set in motion some procedures which should help to speed up their economic recovery during the coming months. Other countries also, for the most part, are aware of how slowly their economies are reviving at the present time, so there is every reason to believe that several of them will follow the American example.

Although an economic upturn seemed to have been getting underway in the United States this past year or two, it must now be recognized that a certain sluggishness has begun to show itself during the current year. This makes any precise evaluation of the state of the American economy quite difficult, since some indicators still point to continued growth while others spell out a definite downturn.

Among the United States indicators of continued growth after the second quarter, the figures for housing starts and government expenditures are especially notable. Yet some other indicators, such as new purchasing orders and consumer spending, give evidence of erratic behaviour and a certain slowing trend.

The recent depreciation of the U.S. dollar on world money markets is a clear reading of that country's large trade deficit. But certain measures adopted by the United States government, such as the income tax reductions announced recently by President Carter, lead to the belief that the United States will not suffer a recession in 1978, despite some signs that the economy is slowing down.

In Canada, 1977 got off to a strong start with a rather interesting spurt of economic growth during the first quarter. However, signs of a slowdown began to appear in the following months, and it was only during the summer that the Canadian economic situations began to look a little more promising.

In all likelihood, this corrective trend should continue during a good part of the coming year, especially with the help of the pump priming measures announced a few weeks ago by Canada's Finance Minister. We are therefore looking for the Canadian economy to grow at a real rate of 3.5 to 4 percent during 1978, which would be a definite improvement over 1977. Still and all, it must be clearly understood that this growth will not be enough to produce any significant improvement in the glaring under-utilization of our productive capacities. There is thus a real risk that unemployment will remain substantially at its present level, unless we succeed in finding fresh and effective solutions to this acute problem.

With the exception of the energy sector, most Canadian companies are showing themselves to be extremely cautious in their investment plans. Considering the rather middling prospects for any increase in overall consumer demand, and the pessimistic attitudes of too many of today's businessmen, it is difficult to foresee any marked growth in investments during coming months, despite the incentive programmes brought forth by governments.

One lesson to be drawn from this quick survey of the present world situation is that at least three of the economic game plan rules, widely accepted until recently, are now being seriously questioned. First, because of the ever greater interdependence of countries everywhere, none now has any real control over all the economic variables. Secondly, this inability to control certain economic factors completely nullifies the old principle that inflation and unemployment neatly balance up and down against one another. Thirdly, it would be illusory to attempt to revive the rapid economic growth of the early part of this decade, because any such high growth rate inevitably leads to serious problems.

So there you have the kind of climate in which we must continue to nurture the Canadian economy. The age of miracles is past, and we must find out our true capabilities. This is a time, in my view, when the individual will must come into play.

Actually, I believe that we all have a role to play in solving our economic problems. Together, through the strength of our willingness to act, we can accomplish some interesting results.

The solutions to some problems lie primarily in the hands of those who govern us. But many of our collective problems are also individual problems, which each of us can help to solve. It is quite obvious that if the people, individually and as a community, act in contradiction to the policies of their governments, those policies cannot in reality be very effective.

It should not surprise us that a country's monetary and fiscal policies do not always achieve the desired results, if all its citizens do not fully understand their significance, and fail to assume their individual responsibilities. People all too frequently tend to blame someone else for a problem, rather than think for one moment that they themselves might be partly responsible. There is talk everywhere about a lack of leadership, but we forget that we must first of all look within ourselves to fill the gap. We are sometimes inclined to shirk our responsibilities and go along with our leaders of the moment. But no matter at what level of society we find ourselves, we can no longer with any decency ignore the milieu in which we live and the responsibilities which are ours. This simple and fundamental principle is equally valid for any organization, multinational, national or local, as it is for the individual.

Although traditional methods may no longer be enough to solve our economic problems, nothing rules out the thought that a truly collective effort could accomplish that goal. For every new problem, a fresh solution must be found. It is in precisely this sense that everyone must now be called upon to wrestle with our most serious problem, unemployment. Unemployment rates in Canada, especially in Québec and the Atlantic Provinces, are far too high for us to neglect even the slightest attempt to bring them down. Everyone loses through unemployment, from those directly affected, who see their standard of living seriously undermined, right on up to the governments which collect less income taxes and must also increase their transfer payments.

History has shown us that neither government nor private enterprise can, by itself, improve the economic climate in a country, or a region, and control a problem such as unemployment. Since everyone has a stake in seeing this problem lessened, there is only one possible solution: cooperation. The Ottawa and Québec governments both recently acknowledged that they must put the emphasis on solving economic problems. Both therefore must share with the business world the heavy responsibility of creating a large number of jobs, and urgently.

Governments must not let high unemployment lead them to ignore the ever present threat of inflation. It would be dangerous for the authorities to change the orientation of their monetary policy, which for the past few years has been aimed at fighting inflation. So they must look elsewhere in their search for solutions to the unemployment problem. Although not an economist, I think that what is called for at this particular moment in our economic history is a better separation of monetary and fiscal policies. Although our monetary policy must not lose sight of the constant menace of inflation, our fiscal policy might pay more attention to the sorry problem of unemployment. The Federal deficit is already very high, certainly, but this problem is an urgent one. It demands that fiscal policies take regional disparities fully into account, with the government borrowing as necessary to provide more economic stimulus in the regions most drastically affected.

Private enterprise, for its part, must openly acknowledge the magnitude of the problem, and each company must fully assume its responsibilities in its own sector and community. If our governments are to be asked to create an economic climate which will create confidence, then business must do its part by showing confidence in the future and increasing investments. It is not when things are going well that we see who fully assumes their individual and community responsibilities. It's when things are not going so well, and efforts must be redoubled, that the true picture comes into focus.

Once again I must say that the economic picture during the next six months will not be of the rosiest hue. But we must all react positively, telling ourselves that now is the time to invest if we wish to have an improved economic climate in six months time.

It must also be stressed that Canada's much discussed low rate of productivity is not a problem caused solely by economic factors. I would be remiss if I overlooked another important aspect, that of management. It is quite obvious that the more unfavourable the economic climate, the more vital it is for a company to be well managed. Almost inevitably, some companies will fail during a difficult period. It is also true that no efforts should be spared to help those that are viable to survive. But what should be done about those companies which during the good times systematically neglected to make provisions for the hard times ahead, whose administrators were first and foremost interested in raking in the utmost profits in the shortest time possible? We cannot state too strongly that the principle of sound management implies that one knows how to take well calculated risks, recognize the influence of certain economic factors and, as a consequence, make the necessary provisions for the lean times.

up until the present, it seemed that everyone wanted to grow too rapidly. The long-term consequences of actions taken were ignored, as people became intoxicated with the heady but fleeting satisfactions of often dizzying growth. Now, I think we must all turn to a new page and chapter, where growth for growth's sake will no longer be part of the story line. The world's economy, centred more and more on the interdependence of nations, dictates the need for rational growth based on real needs and existing resources available to us.

Thus, 1978 will not be an easy year. We must all be fully aware of that fact, exhibiting some healthy realism as proof. The federal government announced some time ago that price and income controls would be removed gradually, starting next April 1. Each Canadian should then show ample proof of prudence and maturity, if we wish to avoid more serious problems. Whether we like it or not, we must rely upon the United States to soak up a large share of our production. So we cannot allow ourselves the luxury of a costs structure much higher than that of our American neighbours, or else the economic results will be disastrous. The unemployment problem is much too severe for us to jeopardize any more jobs through decreased production. It is therefore essential to convince every Canadian that we must live within our means if we wish to be in a position to solve our economic problems.

There will be many problems to face next year, just as there were in 1977. But they will be the kind that man can handle, and I am convinced that each Canadian, no matter where, no matter who, will shoulder his or her full responsibilities. Despite the pitfalls along the way, 1978 will be the year of a new departure towards more realistic economic objectives.

HEAD OFFICE:
500 PLACE D'ARMES
MONTREAL (QUEBEC)

INTERIM REPORT

November 1, 1976 / April 30, 1977

REPORT TO OUR SHAREHOLDERS

Our total assets at the end of the first six months of the 1977 financial year rose to \$6,184,334,000, an increase of 17.3 percent over the April 30, 1976, total. During this same period, loans increased by 21.1 percent and deposits were 17.7 percent higher than reported at the end of the first six months last year.

Although BCN first-half total revenue was up by 14.1 percent compared with the corresponding period in 1976, total, expenses continued to increase at a 16.2 percent rate, due to another drop in the prime rate and increases in various operating expenses. As a result, our balance of revenue after provision for income taxes at the end of the first six months of 1977 was \$11,410,878, a decrease of 5.7 percent from the year-ago figure.

However, it should be mentioned that the second quarter balance of revenue after taxes was \$5,777,380, which represents an increase of \$143,882 over the previous quarter. After-tax balance of revenue per share for the current six-months period was \$1.43, compared with \$1.62 on April 30, 1976. This decrease is due largely to the fairly substantial increase in the number of issued and fully paid-up shares.

No spectacular upturn in the economy can be foreseen during the coming months. Nevertheless, due to our constant ability to adapt to changing economic contexts and measures put into effect to control our expenditures even more efficiently, we are confident that our results for the 1977 financial year as a whole will be comparable with those for 1976.



President and Chief Executive Officer

INTERIM REPORT OF REVENUE AND EXPENSES

(in thousands of dollars)
(unaudited)

REVENUE

	For the quarter ended April 30		For the half-year ended April 30	
	1977	1976	1977	1976
Income from loans	119,744	103,430	241,727	202,878
Income from securities	14,308	15,355	29,896	30,035
Other operating revenue	6,719	8,137	12,718	16,190
Total revenue	<u>140,771</u>	<u>126,922</u>	<u>284,341</u>	<u>249,103</u>

EXPENSES

Interest on deposits and bank debentures	87,682	80,666	179,713	156,318
Salaries, pension contributions and other staff benefits	25,208	20,883	50,400	41,648
Property expenses, including depreciation	6,077	5,190	11,879	10,252
Other operating expenses, including provision for losses on loans based on five-year average loss experience (Note 1)	11,384	9,387	21,666	18,697
Total expenses	<u>130,351</u>	<u>116,126</u>	<u>263,658</u>	<u>226,915</u>
Balance of revenue	10,420	10,796	20,683	22,188
Provision for income taxes	4,643	4,757	9,272	10,086
Balance of revenue after provision for income taxes	<u>5,777</u>	<u>6,039</u>	<u>11,411</u>	<u>12,102</u>
Per share (Note 2)	<u>0.72</u>	<u>0.76</u>	<u>1.43</u>	<u>1.62</u>
Dividends				
Per share	<u>0.28</u>	<u>0.27</u>	<u>0.56</u>	<u>0.54</u>

Note 1: In addition, at the end of each financial year the Bank sets aside a further appropriation for any possible losses which may occur on loans, investments and other elements of the assets. Since this appropriation is not yet determined, no balance of profits is shown in this interim report.

Note 2: Calculated on 8,000,000 shares for the quarter and 7,999,995 shares for the half-year, based on the average month-end balance of fully paid-up shares of capital stock (1976: 7,905,399 shares and 7,461,390 shares respectively).

Note 3: The financial statements include the assets and liabilities, and the revenue and expenses of Banque Canadienne Nationale (Europe).

GROWTH HIGHLIGHTS

(in thousands of dollars)

	30/4/77	30/4/76
Total assets	6,184,334	5,272,723
Total investments	733,981	752,911
Total loans	4,549,360	3,755,217
Total deposits	5,758,059	4,891,972



Banque
Canadienne
Nationale

AR50

SIÈGE SOCIAL
500, PLACE D'ARMES
MONTRÉAL (QUÉBEC)

ÉTAT PROVISOIRE

1er novembre 1976 / 30 avril 1977

MESSAGE AUX ACTIONNAIRES

À la fin du premier semestre de l'exercice financier 1977, notre actif affichait une hausse de 17.3 pour cent sur l'actif au 30 avril 1976, pour atteindre un total de \$6,184,334,000. Parallèlement, les prêts progressaient de 21.1 pour cent et les dépôts de 17.7 pour cent, en regard des résultats du premier semestre de l'an dernier.

Alors que le total des revenus de la BCN s'accroissait de 14.1 pour cent par rapport à la période correspondante de 1976, une autre baisse du taux de base et l'augmentation des diverses dépenses d'exploitation ont maintenu la croissance du total de nos dépenses à 16.2 pour cent. C'est ainsi que notre solde des revenus après provision pour impôts se chiffrait à \$11,410,878 à la fin du premier semestre de 1977, soit une baisse de 5.7 pour cent sur celui de la même période l'an dernier.

Il convient de souligner que pour le deuxième trimestre le solde des revenus après provision pour impôts se situait à \$5,777,380, ce qui représente une hausse de \$143,882 sur les chiffres du trimestre précédent. Par action, le solde des revenus après provision pour impôts s'élève à \$1.43, comparative-ment à \$1.62 le 30 avril 1976. Cette baisse est due principalement à l'augmentation sensible du nombre total des actions émises et payées.

Même si l'on ne prévoit pas de reprise économique spectaculaire pour les mois qui viennent, nous sommes confiants que, grâce à notre adaptation constante au contexte économique et grâce aux mécanismes mis en place pour contrôler encore plus efficacement nos dépenses, nos résultats pour l'ensemble de l'exercice 1977 seront comparables à ceux de 1976.

Le président et chef de la Direction,

ÉTAT PROVISOIRE DES REVENUS ET DÉPENSES

(en milliers de dollars)
(non vérifié)

REVENUS

	Pour le trimestre terminé le 30 avril		Pour le semestre terminé le 30 avril	
	1977	1976	1977	1976
Revenus des prêts	119,744	103,430	241,727	202,878
Revenus des valeurs	14,308	15,355	29,896	30,035
Autres revenus d'exploitation	6,719	8,137	12,718	16,190
Total des revenus	<u>140,771</u>	<u>126,922</u>	<u>284,341</u>	<u>249,103</u>

DÉPENSES

Intérêts sur dépôts et débetures	87,682	80,666	179,713	156,318
Traitements, contributions aux caisses de retraite et autres prestations au personnel	25,208	20,883	50,400	41,648
Frais relatifs aux immobilisations compte tenu des amortissements	6,077	5,190	11,879	10,252
Autres frais d'exploitation incluant une provision pour pertes sur prêts fondée sur la moyenne des pertes subies au cours des cinq derniers exercices (note 1)	11,384	9,387	21,666	18,697
Total des dépenses	<u>130,351</u>	<u>116,126</u>	<u>263,658</u>	<u>226,915</u>
Solde des revenus	<u>10,420</u>	<u>10,796</u>	<u>20,683</u>	<u>22,188</u>
Provision pour impôts sur le revenu	4,643	4,757	9,272	10,086
Solde des revenus après provision pour impôts	<u>5,777</u>	<u>6,039</u>	<u>11,411</u>	<u>12,102</u>
Par action (note 2)	<u>0.72</u>	<u>0.76</u>	<u>1.43</u>	<u>1.62</u>
Dividendes				
Par action	<u>0.28</u>	<u>0.27</u>	<u>0.56</u>	<u>0.54</u>

Note 1: À la fin de chaque exercice, la Banque ajoute à cette provision une réserve pour les pertes non encore déterminées et qui peuvent concerner divers éléments de l'actif, dont les prêts et les placements. Comme cette réserve n'est pas encore connue, le solde des bénéfices n'apparaît pas dans le présent état.

Note 2: Calcul effectué sur 8,000,000 d'actions pour le trimestre et 7,999,995 pour le semestre, d'après la moyenne pondérée du capital entièrement libéré en fin de mois (1976 : 7,905,399 actions et 7,461,390 actions).

Note 3: Les états financiers comprennent l'actif et le passif ainsi que les revenus et dépenses de Banque Canadienne Nationale (Europe).

POINTS SAILLANTS DU BILAN

(en milliers de dollars)

	30/4/77	30/4/76
Total de l'actif	6,184,334	5,272,723
Total des valeurs mobilières	733,981	752,911
Total des prêts	4,549,360	3,755,217
Total des dépôts	5,758,059	4,891,972

PRESS RELEASE

Bank Canadian National



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Released on

May 30, 1977

AR50

BCN REPORTS RESULTS FOR
FIRST HALF ENDED APRIL 30

Bank Canadian National total assets at the end of the first six months of the 1977 financial year reached \$6,184,334,000, an increase of 17.3 per cent over the April 30, 1976, total. During the half-year, loans increased by 21.1 per cent and deposits were up by 17.7 per cent over the figures reported at the end of the first six months last year.

In his quarterly report to the shareholders, BCN President and Chief Executive Officer Germain Perreault noted that total revenue was up by 14.1 per cent compared with the corresponding period in 1976.

Total expenses continued to increase, at a 16.2 per cent rate during the period, due to another drop in the prime rate and increases in various operating expenses. As a result, 1977 first-half balance of revenue after provision for income taxes at the end of the first six months was \$11,410,878, down by 5.7 per cent from the year-ago figure.

However, Mr. Perreault added, it should be mentioned that second quarter balance of revenue after taxes was \$5,777,380, which represents an increase of \$143,882 over the previous quarter. After-tax balance of revenue per share for the current six-months period was \$1.43, compared

5,777,380
14

with \$1.62 on April 30, 1976. This decrease is due largely to the fairly substantial increase in the number of issued and fully paid-up shares.

"No spectacular upturn in the economy can be foreseen during the coming months. Nevertheless, due to our constant ability to adapt to changing economic contexts, and measures put into effect to control our expenditures even more efficiently, we are confident that our results for the 1977 financial year as a whole will be comparable with those for 1976," Mr. Perreault concluded.

Total revenue for the six months under review was \$284,341,000, showing an increase of \$35,238,000 over the corresponding period in 1976. Income from securities was \$29,896,000 in the first half just ended, compared with \$30,035,000 a year ago. Income from loans was \$241,727,000, an increase from last year's \$202,878,000. Other operating revenue totalled \$12,718,000, compared with \$16,190,000 for the same period in 1976.

Total expenses reported for the six months were \$263,658,000, against last year's \$226,915,000. These figures include interest paid on deposits and debentures, which increased to \$179,713,000, compared with \$156,318,000 in the corresponding period of 1976.

